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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
)	
Access Charge Reform)	CC Docket No. 96-262
)	
Price Cap Performance Review for Local)	CC Docket No. 94-1
Exchange Carriers)	

COST SUBMISSION OF CINCINNATI BELL TELEPHONE COMPANY

Cincinnati Bell Telephone Company (CBT) submits the attached cost information in response to the Commission's directive in its September 17, 2001 Public Notice, as modified by its October 5, 2001 Public Notice, in the above referenced proceeding.¹

Background

Pursuant to the provisions of the Coalition for Affordable Local and Long Distance Service (CALLS) Order,² the Commission is to conduct a review of price cap local exchange carriers' residential and single-line business costs in order to determine if an increase in the subscriber line charge (SLC) cap above \$5.00 is justified. The purpose of this cost review is not to set rates based on a company's costs, but rather simply to examine whether a company's costs can reasonably justify a residential and single-line business SLC above \$5.00. For this purpose the CALLS Order specifies that the price cap LECs are to provide "forward-looking cost

¹ *Initiation of Cost Review Proceeding for Residential and Single-Line Business Subscriber Line Charge (SLC) Caps*, Public Notice, DA 01-2163 (rel. September 17, 2001) and Public Notice, DA 01-2327 (rel. October 5, 2001).

² *Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Low-Volume Long-Distance Users, Federal-State Joint Board on Universal Service*, Sixth Report and Order in CC Docket Nos. 96-262 and 94-1, Report and Order in CC Docket No. 99-249, and Eleventh Report and Order in CC Docket No. 96-45, FCC 00-193, (rel. May 31, 2000).

information associated with the provision of retail voice grade access to the public switched telephone network.”³

The Order did not define the scope of the cost review or the information to be examined in it.⁴ Furthermore, the current Public Notice specifies only that carriers must submit forward-looking cost information. It does not direct carriers to use a specific methodology for deriving this cost information. Based on these directives, CBT submits the following forward-looking cost information regarding its provision of retail voice grade access to its switched network.

CBT's Cost Information

The forward-looking cost information that CBT presents in the accompanying attachment is based upon the Commission's Universal Service Cost Model (also called the Hybrid Cost Proxy Model or HCPM). This model is designed to estimate forward-looking costs for non-rural carriers, including CBT, and is used by the Commission to calculate support amounts for the high-cost universal service fund for non-rural carriers. When the inputs for the model were being developed, CBT expressed its concern that using a single set of inputs for estimating costs for all non-rural companies underestimates the costs for a smaller company like CBT.⁵ While CBT still believes that the use of a single set of nationwide inputs in the model underestimates CBT's forward-looking costs,⁶ even using these nationwide inputs, the model substantiates that CBT's interstate loop and port costs exceed \$5.00 per line per month.

³ *Id.* at ¶83.

⁴ *Id.* at ¶84.

⁵ *See Federal-State Joint Board on Universal Service, Forward-Looking Mechanism for High Cost Support for Non-Rural LECs*, Further Notice of Proposed Rulemaking, CC Docket Nos. 96-45 and 97-169, *Comments of Cincinnati Bell Telephone Company*, filed July 23, 1999.

⁶ CBT also believes that the model's methodology and assumptions tend to underestimate costs for all companies.

The accompanying results are based on the latest version of the model available on the Commission's website.⁷ CBT did, however, update the model to reflect CBT's current line counts⁸ as opposed to the 1998 line counts that the model uses as the default. In addition, CBT set the corporate overhead factor to 10.4 percent, which the documentation for the model indicates is the default value for this factor. CBT made this change because the model as downloaded from the Commission's website shows a value of zero for the corporate overhead factor.⁹ After incorporating these two updates, CBT ran the model to generate loop and port costs by wire center.

The model's loop and port costs were aggregated, by weighting the wire center results by the number of lines in each wire center, and then used to calculate an average loop and port cost for Ohio and Kentucky. Since the model develops the total cost of the loop and port, the next step in CBT's analysis was to derive the interstate costs. CBT calculated the interstate costs by applying the interstate allocation factors for the loop and port from its jurisdictional separations studies. The allocation factor for the loop is 25 percent whereas, the allocation factor for the port is 9.85 percent in Ohio and 11.54 percent in Kentucky. The combination of interstate loop and port costs yields an interstate per line cost for each state.

CBT files its access charges on a total company basis, rather than by study area.

Therefore, to derive the costs on a total company basis, the interstate costs for each state (study

⁷ According to the website, the model was last modified on August 31, 2001.

⁸ Line counts by wire center from December, 2000.

⁹ It should be noted that CBT does not believe that 10.4 percent is the correct overhead factor. CBT uses 13 percent in all of its Ohio Long Run Service Incremental and Total Element Long Run Incremental cost studies. This corporate overhead factor value was agreed to by the Public Utilities Commission of Ohio and the intervening parties in CBT's most recent alternative regulation proceeding.

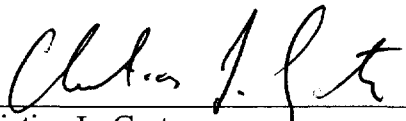
area) were weighted by the number of lines in each state to arrive at an interstate cost per line for CBT's entire operating territory of \$5.65.

CBT notes that this cost per line reflects costs for residential lines and single-line business lines, as well as multi-line business lines. The model does not provide costs specific to residential or single-line business lines. However, the cost of multi-line business lines is less than that of residential and single-line business lines because loop lengths for multi-line business lines are, on average, shorter than for residential and single-line business lines. Therefore, the forward-looking cost of CBT's residential and single-line business lines would be higher than \$5.65 if the lower cost multi-line business lines were excluded.

Conclusion

Based on the forward-looking cost information CBT has submitted herein, the Commission should authorize CBT to increase its residential and single-line business SLC above \$5.00 in its next annual access tariff filing as provided for in the CALLS Order and the Commission's rules.

Respectfully submitted,

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LOOP AND PORT COSTS BY STATE

Ohio

		(A)	(B)	(C)
		Total Lines	Monthly Loop Cost	Monthly Port Cost
1	Totals	874,702	\$ 18,601,803	\$ 756,911
2		OH Average	\$ 21.27	\$ 0.87

Kentucky

		(A)	(B)	(C)
		Total Lines	Monthly Loop Cost	Monthly Port Cost
3	Totals	226,099	\$ 5,885,273	\$ 215,447
4		KY Average	\$ 26.03	\$ 0.95

CBT TOTAL COMPANY LOOP & PORT COSTS

		(A)	(B)	(C)	(D)
		OH	KY	Total Company	Interstate Portion
5	Weight	79.46%	20.54%		
6	Loop Cost	\$ 21.27	\$ 26.03	\$ 22.24	\$ 5.56
7	Port Cost	\$ 0.87	\$ 0.95	\$ 0.88	\$ 0.09
8				Total	\$ 5.65

Cost Summary Sources

Line 1: HCPM Output, Worksheet "Investment Input"

Column A -- Column B summed over all CLLIs

Column B -- (Column B * Column HU) summed over all CLLIs

Column C -- (Column B * Column HV) summed over all CLLIs

Line 2:

Column B -- Line 1, Column B / Line 1, Column A

Column C -- Line 1, Column C / Line 1, Column A

Line 3: HCPM Output, Worksheet "Investment Input"

Column A -- Column B summed over all CLLIs

Column B -- (Column B * Column HU) summed over all CLLIs

Column C -- (Column B * Column HV) summed over all CLLIs

Line 4:

Column B -- Line 3, Column B / Line 3, Column A

Column C -- Line 3, Column C / Line 3, Column A

Line 5:

Column A -- 1 - Line 5, Column B

Column B -- Line 3, Column A / (Line 1, Column A + Line 3, Column A)

Line 6:

Column A -- Line 2, Column B

Column B -- Line 4, Column B

Column C -- (Line 5, Column A * Line 6, Column A)
+ (Line 5, Column B * Line 6, Column B)

Column D -- Line 6, Column C * 0.25

Line 7:

Column A -- Line 2, Column C

Column B -- Line 4, Column C

Column C -- (Line 5, Column A * Line 7, Column A)
+ (Line 5, Column B * Line 7, Column B)

Column D -- (Line 5, Column A * Line 7, Column A * 0.0985)
+ (Line 5, Column B * Line 7, Column B * 0.1154)

Line 8:

Column D -- Line 6, Column D + Line 7, Column D

CERTIFICATE OF SERVICE

The undersigned hereby certifies that copies of Cincinnati Bell Telephone Company's Reply Comments has been delivered by first class United States Mail, postage prepaid, or by hand delivery on November 16, 2001 to the persons on the list below.



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